

ENERGY

SPECIAL REPORT

**REVISED AND
UPDATED**



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THE BUSH ENERGY BUDGET

**AN EDESEL PLAN FOR THE
21st CENTURY**

THE BUSH ENERGY BUDGET: *AN EDSSEL PLAN FOR THE 21ST CENTURY*

– Revised and Updated Version of Special Report –

On March 22, the House DPC published a report on the Bush energy budget – based on the sketchy Bush budget “blueprint” that was released on February 28. This report revises and updates the March 22nd report by including the information that was provided by the detailed budget that the Bush Administration finally issued on April 9th.

During the 2000 presidential campaign, candidate George W. Bush pledged: “*America must have an energy policy that plans for the future, but meets the needs of today.*” **And yet the energy budget that President George W. Bush unveiled on April 9th fails to meet either of these commitments.** That is:

- ! The Bush energy budget fails to meet the needs of today; and
- ! The Bush energy budget fails to plan for the future.

On May 17, President Bush will be unveiling the recommendations of the Cheney Energy Task Force. Leading up to that event, President Bush has recently attempted to adopt the rhetoric of energy conservation and energy efficiency (as polls have shown him that his production-only energy policy is not going over well with the public). For example, in his May 12th Saturday radio address, he stated: “Today, I want to talk about how we can meet some of our energy needs through a new kind of conservation, a 21st century conservation that saves power through technological innovation....Pushing conservation forward will require investment in new energy technology.”

And yet it is these very types of programs to develop 21st century energy conservation that President Bush has SLASHED in the energy budget he submitted to Congress on April 9th!! President Bush’s budget simply does not match his rhetoric. Indeed, the two most striking features of the Bush energy budget is that it:

- ! **Slashes energy efficiency programs by 27%** – programs that invest in 21st century conservation technologies to make homes, factories, offices, appliances, cars and power plants more energy-efficient; and
- ! **Slashes renewable energy programs by 26%** – programs that invest in 21st century technologies in such areas as hydropower, wind power, and solar power.

Indeed, the Bush energy budget fails to provide a long-term, balanced national energy strategy – a strategy dealing with both supply and demand. Instead, the energy budget President Bush has proposed relies almost solely on drilling in the Arctic National Wildlife Refuge (ANWR) as the answer to all that ails America. The Bush budget ignores conservation, cuts energy efficiency and renewable energy programs, shortchanges

research and development, and is very conservative with its compassion for the problems facing American families.

Over the past 25 years, dramatic strides in energy efficiency have saved businesses and consumers billions of dollars – contributing significantly to the nation’s economic growth. And yet now, Bush targets the very programs that are essential to lowering future energy demand and costs.

President Bush cuts funding for the Department of Energy (DOE) by \$500 million below the department’s FY 2001 appropriation – from \$19.7 billion in FY 2001 to \$19.2 billion in FY 2002. **That cuts the Department of Energy by 3% in the middle of what President Bush has declared an energy crisis.** Furthermore, within the Department, some critically important programs are cut by over 40%.

The Bush energy budget breaks promises on cleaning the air, promotes highly controversial plans to drill in wildlife refuges, and ignores the reality that over the past 25 years America has saved or produced four times more energy through efficiency, conservation and renewable generation than has been produced from other new sources. As we stand in the first year of the 21st Century, the Bush Administration is proposing an energy plan for an Eisenhower-era America.

BUSH ENERGY BUDGET: NO SHORT-TERM PROPOSALS

“There’s not much we can do in the short term.”

Vice President Cheney, USA Today, 5/11/01

As was seen above, during the campaign, candidate George W. Bush promised that he would propose an energy policy that “meets the needs of today.”

However, the philosophy of the energy budget that President Bush submitted to Congress on April 9th appears to match the philosophy of the Bush-Cheney Energy Task Force that will be releasing its report on May 17th – **i.e., that there are no short-term steps that can be taken to address immediate energy problems.** Hence, there are no short-term proposals included in the President’s budget.

Indeed, President Bush has been telling the nation repeatedly that there are no short-term steps that can be taken to deal with such immediate problems as the skyrocketing cost of electricity in California and the skyrocketing cost of gasoline at the pump.

President Bush, Vice President Cheney, and White House spokesman Ari Fleischer have all rejected any talk of short-term proposals – dismissing them as “quick-fix solutions.”

Typical was this article in the May 8th Washington Post that pointed out:

“Bush Administration officials have begun warning Republicans on Capitol Hill that the energy policy to be released next week will do little to help with gas prices or California blackouts this summer, officials said yesterday.”

BUSH ENERGY BUDGET: FOR THE LONG-TERM, INSTEAD OF BALANCE, THE FOCUS IS ON INCREASING SUPPLY

Furthermore, the philosophy of the energy budget that President Bush submitted to Congress on April 9th appears to match the philosophy of the Cheney Energy Task Force in another key way – i.e., that the focus of our energy strategy must be to increase the supply of such fossil fuels as oil, coal, and natural gas, as well as of nuclear power – instead of a balanced strategy that focuses on both supply and demand.

This is the only apparent explanation for why the Bush energy budget slashes funding for energy efficiency and renewable energy programs – programs that are designed to meet energy demand through the development of new energy efficiency and renewable technologies.

In a speech in Toronto on April 30, Vice President Cheney laid out the broad outlines of the Energy Task Force report that will be unveiled to the country on May 17. Typical of the articles summarizing the speech was the May 1st article in the Dallas Morning News, with a telling headline:

“Cheney Presses Case for Bush Energy Plan: He Calls Supply The Key, Not Conservation

“Mr. Cheney leads President Bush’s energy policy task force. ... Mr. Cheney left no doubt that the plan will be based on boosting domestic production of oil, gas, coal and nuclear power, without calling for sacrifices in energy consumption. ‘Already some groups are suggesting that government step in to force Americans to consume less energy, as if we could simply conserve our way out of the situation we’re in. ...Conservation may be a sign of personal virtue, but it is not a sufficient basis for a sound, comprehensive energy policy,’ Cheney said.”

In his April 30th speech, Vice President Cheney argued that the country needed to build more than one new major power plant a week for the next 20 years – or 1,300 to 1,900 new plants – to keep up with the demand for electricity.

BUSH FAILS TO RECOGNIZE THE SIGNIFICANT ROLE THAT NEW ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES CAN PLAY IN MEETING ENERGY DEMANDS

What is so odd about the Bush energy budget is that it ignores the history of the last 25 years. **Indeed, over the last 25 years, America has saved or produced FOUR TIMES more energy through efficiency, conservation and renewable generation than has been produced from other new sources.**

Energy efficiency standards alone have saved American businesses and consumers **some \$180 billion over the last two decades** – more than \$200 for every dollar of federal money spent to develop them.

Similarly, new energy efficiency and renewable technologies could lead to enormous energy savings in the future – saving businesses, government, and households billions of dollars. For example, a May 6th article in the New York Times summarized the findings of a new study on this topic as follows:

“Scientists at the country’s national laboratories have projected enormous energy savings if the government takes aggressive steps to encourage energy conservation in homes, factories, offices, appliances, cars and power plants. Their studies ... are at odds with the Administration’s repeated assertions in recent weeks that the nation needs to build a big new power plant every week for the next 20 years to keep up with the demand for electricity, and that big increases in production of coal and natural gas are needed to fuel those plants.

“A lengthy and detailed report based on three years of work by five national laboratories said that a government-led efficiency program emphasizing research and incentives to adopt new technologies could reduce the growth in electricity demand by 20 percent to 47 percent. That would be the equivalent of between 265 and 610 big 300-megawatt power plants, a steep reduction from the 1,300 new plants that the Administration predicts will be needed. The range depends on how aggressively the government encourages efficiency in buildings, factories and appliances, as well as on the price of energy, which affects whether new technologies are economically attractive.”

THE BROKEN CAMPAIGN PROMISES OF GEORGE W. BUSH

Energy Efficiency & Renewable Energy Programs: In his major September 29th energy policy speech during the Fall campaign, *Candidate* Bush vowed, “To enhance America’s long-term energy security, we must continue developing renewable sources of energy.” And yet, *President* Bush has failed to live up to this commitment. Instead, the Bush energy budget slashes funding for renewable energy programs!! Specifically, Bush slashes funding for renewable energy programs by \$96 million or by 26% – from \$373 million in FY 2001 to \$277 million in FY 2002.

Low-Income Weatherization: During the Fall campaign, *Candidate* Bush promised a doubling of funds for the low-income weatherization program. *President* Bush unfortunately falls \$33 million short of that goal in 2002 alone – and \$450 million short over ten years. The Bush budget is claiming that Bush is “nearly” doubling weatherization funds – however, that “nearly” means the Bush Administration will fall roughly 150,000 homes short of actually doubling the program over the next ten years. In fact, the Bush plan simply restores the program to the level it was during the first two years of the Clinton Administration, before it was severely cut when Republicans took control of Congress in 1995. (Indeed, one of the first things the GOP did when they took power in 1995 was to slash the Low-Income Weatherization program by 50%!) Absent these shortsighted GOP cuts, DOE has estimated that an additional 250,000 homes would be weatherized today. These 250,000 families would be saving hundreds of dollars per family per year, and lower energy demand would be benefitting the entire economy and contributing to reducing air pollution.

LIHEAP: Despite his campaign statements suggesting that he would expand the Low-Income Home Energy Assistance Program (LIHEAP), the Bush budget freezes the LIHEAP program at the FY 2001 levels – including \$1.4 billion in standard program funds and \$300 million in emergency funds. This critically-important program helps low-income families pay their heating and cooling bills. Given record-high energy prices, the Bush proposal to freeze the funding for the LIHEAP program will mean that fewer low-income families receive assistance with their energy costs in FY 2002. Already, only one in three eligible families get LIHEAP assistance. The Bush freeze reduces the purchasing power of the program by \$38 million.

Clean Air: *Candidate* Bush said he was “committed” to mandatory reduction targets for utilities for four air pollutants, including carbon dioxide. *President* Bush’s February 28th budget “blueprint” was silent on committing resources to achieve this goal. Now we know why. On March 13, President Bush flip-flopped and came out in opposition to new carbon dioxide standards. “I can’t think of a president who has achieved that bad an environmental record in only 60 days,” said Phil Clapp, president of the National Environmental Trust, on March 15. See *CNN, March 15, 2001*.

OVERVIEW OF THE CUTS IN ENERGY EFFICIENCY & RENEWABLE ENERGY PROGRAMS IN THE BUSH BUDGET

As has been mentioned above, the most striking features of the Bush energy budget submitted on April 9th is that it slashes funding for energy efficiency and renewable energy programs. Here is the reaction of some key organizations in response to the unveiling of the details of the Bush energy budget on April 9th:

“The Administration’s proposal to cut energy efficiency R&D by 30 percent – even as they declare an ‘energy crisis’ – could not come at a worst time for American consumers and businesses. Faced with sky-high heating bills, increased gasoline prices, and new prospects for electricity shortages, the nation needs to invest more heavily in energy efficiency, which remains the cheapest, quickest, and cleanest way to lessen energy problems and extend energy supplies.”

Alliance to Save Energy, 4/9/01

“Today, President George W. Bush unveiled his first budget, signaling his administration’s intent to turn its back on decades of progress in energy policy. Bush’s FY 2002 budget slashes the Department of Energy’s energy efficiency research programs and renewable energy programs. Some programs are eliminated altogether. This is at a time when the country’s energy situation demands a fuller commitment to technologies that can be brought online quickly, produce new energy for the electrical grid without emitting greenhouse gases, provide a safe energy supply, improve national security by decreasing the country’s reliance on foreign oil imports, and help stabilize the economy by creating jobs.”

Sustainable Energy Coalition, 4/9/01

“The Bush Administration has been hyping up an energy crisis, but its first budget proposes to slash federal energy efficiency and renewables programs by hundreds of millions of dollars.”

Natural Resources Defense Council, 4/10/01

Following is an overview of the cuts in energy efficiency and renewable energy programs in the Bush budget.

- **Slashes Energy Efficiency Programs** – President Bush has stated that the nation is experiencing an “energy crisis.” **And yet the Bush budget slashes funding for energy efficiency programs** – from developing appliance efficiency standards to research and development for the next generation of technologies in the building, industry and transportation sectors!! Specifically, the Bush budget slashes energy efficiency programs (other than weatherization grants) **by \$180 million or by 27%** – from \$663 million in FY 2001 to \$483 million in FY 2002.

Furthermore, within this overall cut, a number of specific energy efficiency programs are cut even more drastically under the Bush budget. For example, the Federal

Energy Management Program, designed to reduce the energy use and costs of the Federal Government, would be slashed by \$12.4 million or **by 48.2%** – despite efforts to reduce federal energy consumption on the West Coast, which has been hit by electricity blackouts. Building conservation R&D would be cut by \$48.4 million or **by 46.3%**. Furthermore, industry sector conservation would be cut by \$60.9 million or **by 41.0%**. (Unfortunately, the only major energy efficiency program President Bush increases is weatherization grants – which he increases from \$153 million in FY 2001 to \$273 million in FY 2002, simply restoring this program to the level it was before Congressional Republicans began severely cutting it in 1995.)

- C **Slashes Renewable Energy Programs** – The Bush budget also slashes funding for renewable energy programs!! Specifically, the Bush budget slashes overall renewable energy programs **by \$96 million or by 26%** – from \$373 million in FY 2001 to \$277 million in FY 2002.

Furthermore, within this overall cut, a number of specific renewable energy programs are cut even more drastically. For example, the Bush budget cuts hydropower research **by 49.9%**, solar energy research **by 53.7%**, and wind energy research **by 48.2%**. In addition, the Bush budget calls for **a 76% cut** in federal grants to state and local governments and public power systems to deploy existing renewable technologies.

Not only does the Bush budget cut solar and renewable programs this year. The Bush budget also makes future solar and renewable funding contingent on the unlikely success of the Bush plan to drill in the Arctic National Wildlife Refuge!! Even if this controversial drilling proposal were to become law, solar and renewable programs would have to wait another three years before getting even a dime – even by the Administration's own estimate. In addition, the \$1.2 billion "bid bonus" (collected from selling rights to drill in the refuge) Bush is anticipating in 2004 would roughly equal the amount of money President Bush proposes to cut over the next three years. By 2008, the budget then proposes "phasing down" this funding, once again cutting solar and renewable programs.

SNOW BLIND IN THE ARCTIC

Despite strong, longstanding, bipartisan opposition, the "uniter, not a divider" President continues to push the highly controversial, anti-environmental agenda of calling for drilling in the Arctic National Wildlife Refuge (ANWR). In fact, much of the funding proposed in the "comprehensive" Bush energy plan is dependent on collecting bid bonuses from the Arctic wildlife refuge. Not only is this unlikely to happen, making this a hollow promise, but even optimistically it would take up to ten years before the crude would begin to flow to increase supplies of oil on the market.

While the Bush Administration pushes the divisive plan to drill in the Arctic National Wildlife Refuge (ANWR), wide areas of Alaskan land are already open to oil and gas exploration. For example, natural gas is the fuel of choice for most new electricity generation plants coming on line or in the planning stages. Reserves of natural gas are all but depleted, but at the same time there is an abundant supply waiting to be tapped. In the vicinity of Prudhoe Bay on the Alaskan North Slope, there is an estimated 32 to 38 trillion cubic feet

of natural gas ready for development. While the infrastructure to bring this fuel south has yet to be put into place, this is an area well worth exploring, considering that the U.S Geological Survey has estimated that with additional exploration, the potential could be to double the current estimate of potential natural gas.

Despite Bush campaign charges, domestic natural gas production on public lands actually grew significantly under President Clinton, exceeding production levels during the Reagan and Bush years – and yet it did not prevent our current energy crisis. Federal lands now account for over 37 percent of domestic natural gas production.

Since 1993, the Bureau of Land Management (BLM) has issued over 28,000 new onshore oil and gas leases and more than 15,000 permits to drill. Notably, BLM conducted a major new lease sale in 1999, offering 3.9 million acres of the National Petroleum Reserve-Alaska (a 23 million acre area west of Prudhoe Bay). In 2000, onshore federal leases produced 2.2 trillion cubic feet of natural gas, accounting for 11 percent of domestic natural gas production.

According to the Department of Interior, approximately 95 percent of lands managed by the BLM in Colorado, Montana, New Mexico, Utah and Wyoming are currently available for oil and gas leasing and development. Specifically, of the 116.4 million acres of BLM-managed lands in those states, more than 110 million acres are open to oil and gas leasing. Outer Continental Shelf (OCS) oil and gas leasing, restricted by Congress in annual appropriations bills, has been concentrated in the Western Gulf of Mexico and in Arctic Alaska. Subject to those restrictions, new offshore leases covering about 35 million acres have been issued by the Minerals Management Service (MMS) since 1993. Overall, the MMS currently manages more than 44 million acres of OCS lands which have produced more than 143 trillion cubic feet (TCF) of natural gas. MMS estimates that the federal OCS will account for approximately 26 percent of the U.S. natural gas production in 2001.

Production of Oil, Gas and Coal from Offshore and Onshore Federal and Indian Lands*

	Oil (barrels x 10 ⁶)	Gas (BCF)**	Coal (short tons x10 ⁶)
1993-2000	4,651	55,587	2,917
1989-1992	1,903	23,619	1,069
1981-1988	4,180	43,606	1,324

*data provided by Department of the Interior

** billion cubic feet

IGNORING THE PROBLEM

In the area of energy, everything has been getting worse since President Bush took office on January 20th. Gas prices have been rising steadily this spring – spreading concern among motorists across the country – and the electricity crisis in the Western states has only deepened.

And yet the Bush Administration appears to be ignoring the nation's immediate energy problems – continuing to claim that there is nothing the Federal Government can do about the immediate problems and that the entire focus of our energy policy must be on the long-term.

Following is a brief overview of two key energy problems that have worsened in the last few months – where the Bush Administration has refused to act.

The Electricity Crisis in Western States

When President George W. Bush was inaugurated on January 20th, Western states – particularly California – were already in the middle of an electricity crisis.

The electricity crisis in California was brought on through the dramatic failure of California's electricity deregulation program – which left California utilities stuck between skyrocketing wholesale electricity prices and the limits on what could be charged consumers. Although there are many differing views regarding California's problems, one thing is clear: the electricity market in California is now completely dysfunctional. Many charge that one reason that wholesale electricity prices have skyrocketed so dramatically is that the sellers of wholesale electricity have manipulated the market.

Californians are certainly outraged by skyrocketing electricity costs. Indeed, the rise in electricity costs in California is truly staggering. **In 1999, California's electricity costs totaled \$7 billion. By some estimates, California's electricity costs could approach \$70 billion this year – \$2,000 for every resident – ten times the figure in 1999!!**

In addition, of course, the electricity crisis in California has led to blackouts – and it is widely expected that there will be rolling blackouts in California throughout the summer.

In addition, Rep. Jay Inslee (D-WA) has pointed out that the electricity crisis exists in several Western states, in addition to California:

“There is no doubt that the Western United States is suffering from an energy crisis. Citizens in Washington State and elsewhere are experiencing skyrocketing electricity bills, while local businesses halt production and lay off employees, and our rivers run dry in an effort to sap the last dregs of hydropower at the cost of our endangered salmon.... A storm formed by a drought in the Pacific Northwest, and a political debacle in California has given electricity generators an opportunity to game the electricity market, and earn unprecedented rate increases of five, ten, and even twenty times the usual prices. The Bush Administration's callously indifferent statement that this is simply a 'California problem' and that there is no short-term solution threatens not just consumers in the Pacific Northwest, but the entire U.S. economy.”

Inslee Press Release, 4/4/01

Rising Gas Prices

In addition, since President Bush's inauguration on January 20th, the issue of the price of gasoline has become a growing concern for American consumers across the country.

Indeed, the price of gasoline has been rising steadily this spring. During the week of May 7, gasoline prices rose to a national average of \$1.70 for all grades across the country. That figure is up 25 cents from a year ago and broke the \$1.68-a-gallon record price for fuel set last June.

In many parts of the country, the prices are significantly higher than the national average. For example, California's average price for regular unleaded hit a new high of \$1.95 per gallon during the week of May 7. The average for premium in California was \$2.11 per gallon. In Chicago, where prices have been rising steadily over the last several weeks, the average price for unleaded last week was \$1.97 a gallon – with \$2.19 a gallon for premium.

Furthermore, Shell and Chevron dealers in California and Chicago say they have been told by regional company representatives to get ready for the possibility of \$3-a-gallon gasoline this summer.

CONCLUSION

What is most striking about the Bush energy budget – released on April 9th – is that it slashes funding for energy efficiency and renewable energy programs. Specifically, the Bush budget slashes energy efficiency programs – programs designed to invest in 21st century conservation technologies to make homes, factories, offices, appliances, cars, and power plants more energy-efficient – by 27%. It also slashes renewable energy programs – programs designed to invest in 21st century technologies in such areas as hydropower, wind power, and solar power – by 26%.

Democrats believe there is a better way. Democrats believe Congress must adopt a comprehensive, balanced energy strategy that deals with both supply and demand. This balanced strategy must help consumers, increase production, protect the environment, and help meet energy demand by investing in the energy technologies of the future.